



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Kajaria Ceramics Ltd Q4FY23 consolidated revenues came in at ₹1203 Cr, up by 9.17% YoY and up by 10.26% QoQ.
- Op Profit for Q4FY23 stood at ₹176 Cr, up by 6.02% YoY and 32.33% QoQ.
- Op margins for Q4FY23 came at 15%, flat YoY and +300bps QoQ.
- Net profit for Q4FY23 stood at ₹111Cr up by 14.43% YoY and up by 50% QoQ.

2. MANAGEMENT COMMENTARY:

- FY23 has been a challenging year due to high inflation and gas supply disturbances.
- Currently domestic tile market stands at Rs.42000 crores for domestic and Rs.17500 crores for exports.
- Management has sold 101 million square meters of tiles in FY23 and aims to double it in next 5-6 years.
- Management has guided to do 13%-15% volume growth, revenue growth of 14%-16% along with 14%-16% EBITDA margins.

3. CONCALL SUMMARY

- Management has guided for Rs.250 crores of capex every year for additional capacity expansion.
- The management anticipates the export market to reach more than ₹20,000 crore by end of this year.
- No price hikes are on the radar for FY24. Last year company did a price hike in the range of 4%-5%.
- In sanitary ware and faucet ware, the management guided to achieve ₹440 - ₹450 crore in FY24. The vision is to grow 30% every year after FY24.

4. OTHER DEVELOPMENTS:

- Company has strong dealer network of around 1840 dealers and plans to add 150 dealers every year for the next 3 years.
- Company has spent 108 crores for brand promotion and aims to spend 135-140 crores this year.
- The capacity in Nepal was being put up with 8 MSM of two kilns which is now reduced to 1 kiln of 8 MSM and another one with 5.1 MSM that will make both ceramic and GVT. The current market size of Nepal is ~₹2,000 crore which is mostly import driven. It plans to commission the plant by March 2024.

5. VALUATION AND OUTLOOK:

We believe company will continue to post good results in the coming few quarters on the back of strong demand in real sector along with home improvements space. Aggressive brand promotion can reap benefits for the company in tier-2 and tier-3 cities.

Management is confident regarding the revenue growth of 14%-16% along with EBITDA margins of 14%-16%. Aggressive revenue growth in sanitary ware and Faucet ware will drive the future growth of the company.

We give a "BUY" rating on the stock and value the stock at 42.5x of FY25E earnings to arrive at a target price of Rs.1500.

RECOMMENDATION - BUY

CMP – 1268

TARGET – 1500

(Upside 18%)

Industry	Ceramics/Marble/Granite/Sanitary ware
NSE CODE	KAJARIACER
BSE CODE	500233
Market Cap (₹ Cr)	19971.71
Shares Outstanding (in Cr)	15.92
52 wk High/Low (₹)	1325/ 915
P/E	58.45
P/BV	8.58
Face Value (₹)	1.00
Book Value (₹)	146.11
EPS (FY23) (₹)	21.64
Dividend Yield (%)	1.08
Debt / Equity	0.06
Interest Coverage	41.08

SHAREHOLDING PATTERN

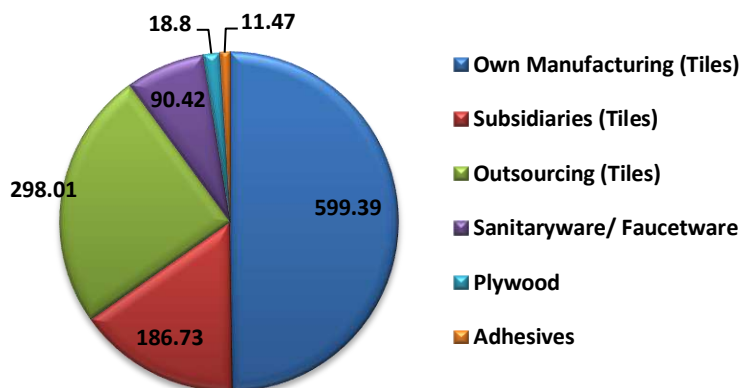
	Mar-23	Dec-22	Sept-22
Promoters	47.49	47.49	47.49
MF/ DII	26.23	24.49	22.82
FII/FPI	16.89	18.57	19.44
Retail & Others	9.36	9.44	10.25
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023A	2024E	2025E
Crore			
Sales	4382	5040	5846
Sales Gr. (%)	18.26	15	16
EBITDA	592	756	935
EBITDA %	18.26	15	16
PAT	346	450	561
EPS (₹)	21.64	28.30	35.28
EPS Gr. (%)	-8.61	30.77	24.66
BV/Sh. (₹)	146	152	161
Ratios			
RoE (%)	15.8	19.33	23.23
RoCE (%)	20.3	25	30
Valuation			
P/E (x)	58.4	45.33	36.36
P/BV (x)	8.78	8.4	7.96

Historical & Industrial Val Ratios

Historical P/E	58.45
Industry P/E	50.22
Historical P/B	8.65
Industry P/B	5.78

REVENUE SPLIT (Q4FY23)

QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY22				FY23				FY23	FY24E*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Net sales	562	974	1,068	1,102	1,008	1,078	1,091	1,203	4,382	5040
YoY change (%)	102.36%	36.64%	27.43%	15.67%	79.51%	10.70%	2.14%	9.17%	18.26%	15%
Total Expenditures	481	793	884	936	855	948	958	1027	3790	4284
EBITDA	80	180	184	166	154	129	133	176	592	756
Margins (%)	14%	19%	17%	15%	15%	12%	12%	15%	14%	15%
Depreciation	27	28	28	33	32	34	33	34	133	156
Interest	3	3	3	4	4	3	8	7	22	25
Other income	6	7	7	7	8	4	7	6	26	25
PBT	57	157	160	136	126	97	100	140	462	600
Rate (%)	27%	24%	22%	29%	26%	29%	26%	21%	25%	25%
Adjusted PAT	41	119	125	97	93	69	74	111	346	450
EPS in Rs	2.71	7.30	7.67	6.01	5.80	4.39	4.67	6.78	21.64	28.30

Key Performance Indicators

RM cost (% of revenue)	34.95%	43.37%	42.09%	44.20%	37.09%	41.93%	40.73%	44.6%	41.24%	41%
Employee cost (% of revenue)	16.61%	10.48%	9.98%	9.60%	11.35%	10.56%	10.68%	9.68%	10.53%	11%
EBITDA Margins%	14%	19%	17%	15%	15%	12%	12%	15%	14%	15%
PAT Margins %	7.38%	12.26%	11.68%	8.83%	9.22%	6.39%	6.75%	9.2%	7.89%	8.92%

Source: Company, Hem Securities Research.

***Insights into the assumptions:**

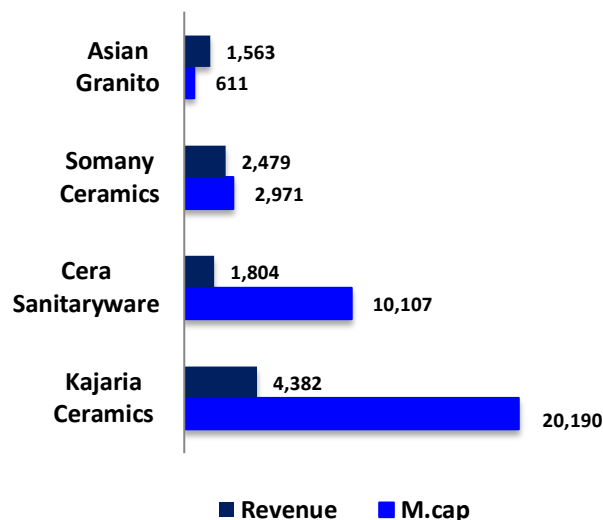
- We expect revenues to grow at a rate of 15% on a YoY basis.
- Operating margins are expected to remain in line.



INDUSTRY OVERVIEW

- India is the second largest producer of tiles in the world with market of around Rs.42400 crores. Domestic market is expected to grow at a rate of 6%-8% every year.
- Export industry stands at Rs.17500 crores and is expected to reach Rs.20000 crores by the end of current financial year. The largest export market for India has been USA, GCC countries such as Saudi Arabia and UAE.
- Indian tile market is highly fragmented with unorganized players enjoying 60% market share.
- Export market has witnessed a 23% CAGR over FY18-23 backed by china+1 strategy.
- 70% of the total tile production in India is done in Morbi , Gujarat.
- India exports 17% of its total production. Imports have reduced significantly and contributed only 0.1% to the overall tiles produced and consumed in India.
- Major tile players in indian markets are: Kajaria Ceramics, Somany ceramics, Johnson, Orient bell and Asian Granito.

KEY PLAYERS



PEER PERFORMANCE

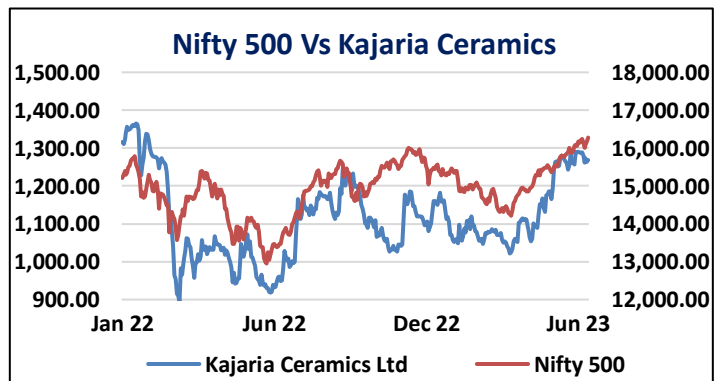
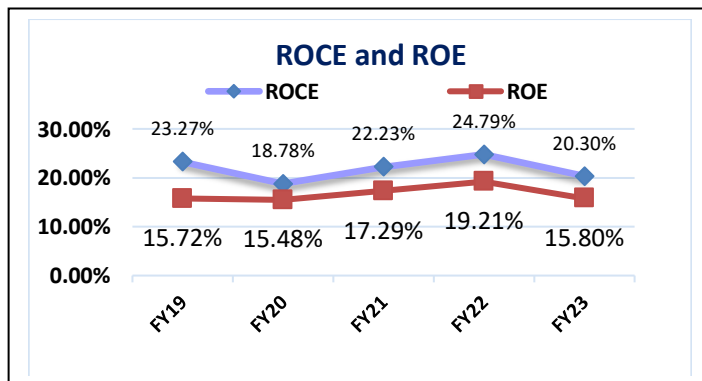
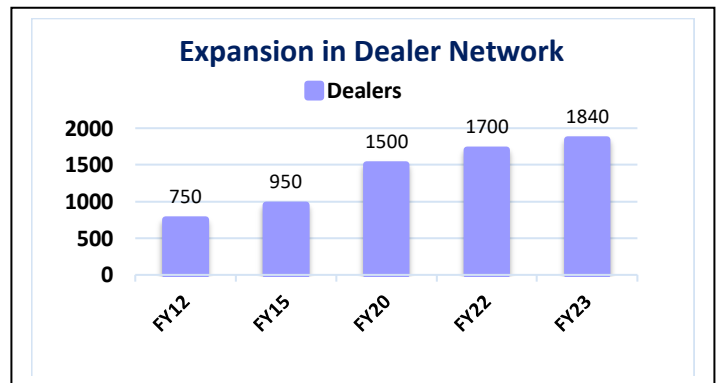
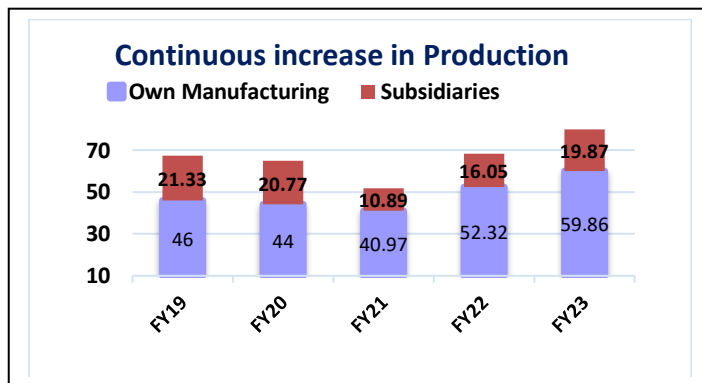
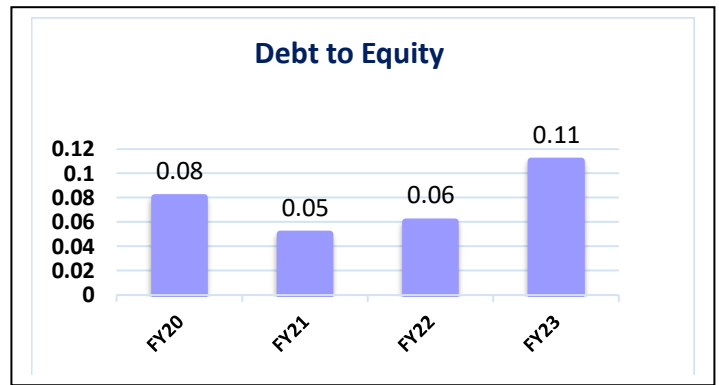
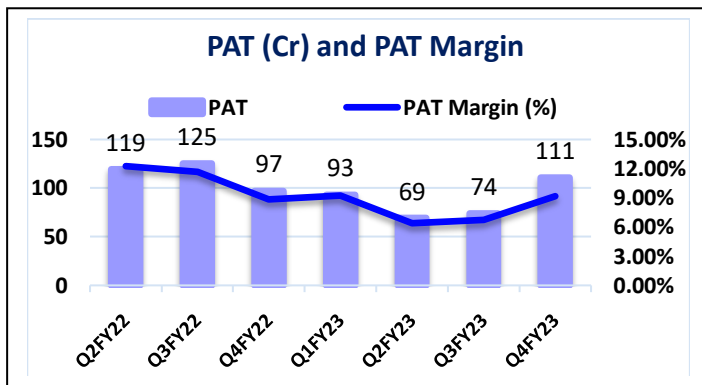
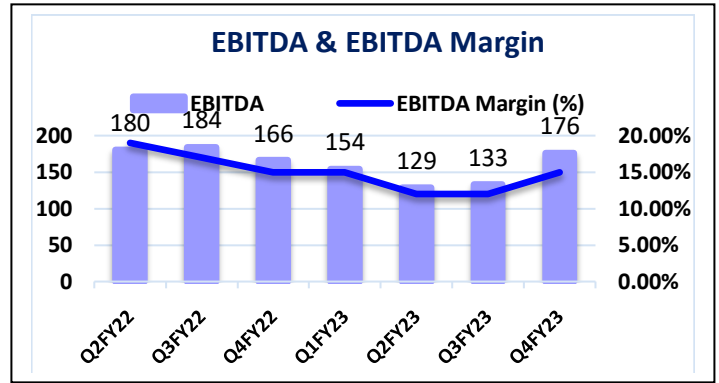
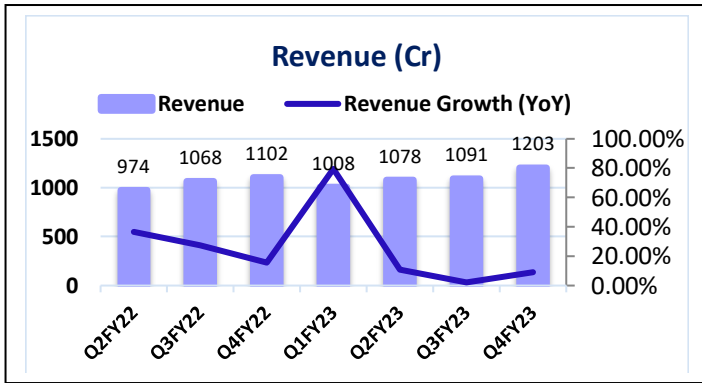
(₹ Cr)

Particulars	Kajaria Ceramics Ltd	Somany Ceramics Ltd	Cera Sanitaryware Ltd	Asian Granito India Ltd
Market Cap	20190	2971	10107	1563
Net Sales	4382	2479	1804	1563
EBITDA	592	189	293	-68
PAT	346	67	211	-87
EPS(₹)	21.64	16.83	161	-5.74
EBITDA MARGIN %	13.5	7.91	16.2	-4.36
PAT MARGIN %	7.89	2.70	11.69	-
ROCE %	20.3	10.4	25.9	-6.58
ROE %	15.8	9.03	19.5	-6.69
P/E TTM	58.4	43	46.8	
P/B TTM	8.78	3.73	8.47	0.49
Dividend Yield %	0.88	0.45	0.64	1.50
MCap/ Sales TTM	4.66	1.19	5.51	0.40

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Kajaria Ceramics Ltd is a leading tiles manufacturer. They have strong distribution network. They have announced a capex of 250 crores and apart from this they are setting up a plant of 5.1 MSM in Nepal through JV.
- They have guided for a volume growth of 13%-15%, revenue growth of 14%-16% along with EBITDA margins of 14-16%.
- Easing of gas prices and softening of commodity prices augurs well for the profitability of the company.
- Positive momentum in real estate and home improvement space can reap benefits for the company.
- Management is focusing on brand building and plans to spend 135-140 crores on advertisement expenses this year. They are aiming to increase dealer network by 150 every year for the next 3 years.
- Company enjoys premium pricing as retail sales contributes 70% to the overall sales against industry average of 50%.
- The rapid expansion in sanitaryware and Faucetware space can reap benefits for the company. They are aiming to achieve 440-450 crores of revenue sales in FY24 and aims to growth by 30% from FY24 onwards.
- They are setting up a 5.1 MSM plant in Nepal in a JV to increase their presence in the growing real estate sector in Nepal.

RISK / NEGATIVE FACTORS:

- Economic slowdown, particularly real estate and home improvement space.
- Gas price volatility due to geopolitical tensions.
- Dip in exports due to economic recovery in China.
- Competition from unorganized players.

COMPANY RECAP

- The company is India's largest and most respected tile manufacturer. They have 8 manufacturing facilities of tile and 2 manufacturing facilities of Bathware, located pan-India.
- Kajaria Ceramics is the largest manufacturer of ceramic/vitrified tiles in India and the 7th largest in the world. It has an annual manufacturing capacity of 81.55 MSM.
- Company currently operates 7 manufacturing plants: one at Sikandrabad (UP), one at Gailpur (Rajasthan), one at Malootana (Rajasthan), two at Morbi (Gujarat), one at Srikalahasti (Andhra Pradesh) and one at Balanagar (Telangana).
- Product verticals: 1) Ceramic Wall & Floor Tiles, 2) Polished Vitrified tiles, 3) Glazed Vitrified Tiles, 4) Bathware (comprises of Faucets and Sanitaryware), 5) Plywood and Laminates
- Kajaria Ceramics has increased its capacity from 1 mn. sq. mtrs to 81.55 mn. sq. mtrs. in last 34 years and offers more than 3000 options in ceramic wall & floor tiles, vitrified tiles, designer tiles and much more.
- Kajaria Ceramics exports to more than 35 countries round the Globe. The International Marketing operations are organized by a specialist export division that manages a network of international agents and distributors.
- They are the only Indian Tile company to receive the revered "Asia's Most Promising Brand" award in the Premium Tiles category.
- They have a strong brand presence, they are associated with Bollywood actor Akshay Kumar for Kajaria Tiles and Ranveer Singh for Kajaria Ply.
- Key Management personnel – Mr. Ashok Kajaria (Chairman and Managing Director), Mr. Chetan Kajaria (Joint Managing Director), Mr. Rishi kajaria (Joint Managing Director)

ANNUAL PERFORMANCE
Financials & Valuations
Income Statement

Y/E March	2019	2020	2021	2022	2023	2024E	2025E
Revenue from operations	2,956.20	2,808.01	2,780.90	3,705.19	4,382	5,040	5846
Growth YoY (%)	9.06	-5.01	-0.97	33.24	18.26	15	16
Total Expenditure	2,506.71	2,392.11	2,272.08	3,094.50	3,790	4284	4910
(%) of sales	84.80	85.19	81.70	83.52	86	85	84
EBITDA	449.49	415.90	508.82	610.69	592	756	936
EBITDA Growth (%)	0.07	-5.88	20.47	20.40	-3.26	27.70	23.80
EBITDA Margin (%)	15.81	15.67	18.26	16.52	14	15	16
Depreciation	89.06	108.09	106.67	115.36	133	156	181
EBIT	373.62	331.96	423.45	522.90	459	600	755
EBIT Growth (%)	-1.53	-11.15	27.56	23.49	12.23	30.71	25.83
Net Interest Expenses	15.59	19.51	10.71	12.73	22	25	30
Other Income	18.03	24.15	21.30	27.57	26	25	23
Earnings before Taxes	358.03	312.45	412.74	510.17	462	600	748
EBT Margin (%)	12.11	11.13	14.21	13.20	10.54	11.90	12.79
Tax-Total	129.28	58.92	103.84	127.43	116	150	187
Rate of tax (%)	36.11	18.86	25.16	24.98	25	25	25
Net Profit	228.75	253.53	308.90	382.74	346	450	561
PAT Growth (%)	0.07	10.83	21.84	23.90	-9.66	30.05	24.66
PAT Margin (%)	7.74	9.03	10.64	9.91	7.89	8.92	9.56
EPS	14.25	16.06	19.36	23.68	21.64	28.30	35.28
EPS Growth (%)	-3.57	12.69	20.57	22.30	-8.61	30.77	24.66

Balance Sheet

Y/E March	2019	2020	2021	2022	2023
Share Capital	16	16	16	16	16
Reserves	1,559	1,698	1,853	2,106	2,311
Net Worth	1575	1714	1869	2122	2327
Borrowings	120	166	126	165	250
Other Liabilities	677	557	530	699	754
Total Liabilities & Equity	2,372	2,437	2,525	2,9867	3,331
Fixed Assets	1,078	1,195	1,192	1,150	1,447
CWIP	93	27	15	263	82
Investments	0	10	5	0	2
Other Assets	1,200	1,206	1,313	1,573	1800
Total Assets	2,372	2,437	2,525	2,986	3,331

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2019	2020	2021	2022	2023
Profitability and return ratios					
Net profit margin (%)	7.74	9.03	10.64	9.91	7.89
EBITDA margin (%)	15.81	15.67	18.26	16.52	14
EBIT margin (%)	12.64	11.82	14.58	13.53	11.06
ROE (%)	15.72	15.48	17.29	19.21	15.8
ROCE (%)	23.27	18.78	22.23	24.79	20.3
Working Capital & liquidity ratios					
Payables (Days)	112	88	66	78	63
Inventory (Days)	147	189	119	122	114
Receivables (Days)	59	52	57	51	50
Current Ratio (x)	2.00	2.30	2.81	2.20	2.27
Valuations Ratios					
EV/sales (x)	3.13	2.10	5.16	4.29	4.57
EV/EBITDA (x)	19.81	13.39	27.09	24.92	32
P/E (x)	41.45	23.45	47.73	42.99	57.6
P/BV (x)	5.99	3.50	7.88	7.64	8.68
Dividend Yield (%)	0.51	0.80	1.08	1.08	0.87
Leverage Ratio					
Debt/Equity (x)	0.08	0.07	0.05	0.06	0.11

Cash Flow Statement					
Y/E March	2019	2020	2021	2022	2023
CF from Operating activities (A)	317	224	509	426	296
CF from Investing Activities (B)	-261	-90	-296	-297.91	-184
CF from Financing Activities (C)	-114	-140	-205	-120	-135
Net Cash Flow	-57.64	-6	8.71	7	-23
Add: Opening Bal.	80	22	16	25	32
Closing Balance	22	16	25	32	9

Source: Company, Hem Securities Research.

RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
29 th June 2023	Buy	1500

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